

CHAPTER 105  
STANDARDS OF CONDUCT AND PROHIBITED PRACTICES

**191—105.1(523A,82GA,SF559) Purpose.** This chapter is intended to establish certain minimum standards and guidelines of conduct for preneed sellers and sales agents by identifying required actions and prohibited acts or practices.

**191—105.2(523A,82GA,SF559) Numbering purchase agreements.** Preneed sellers shall assign numbers, in sequential order, to each purchase agreement sold during a calendar year.

**105.2(1)** Prenumbered contracts are not required. If a contract is not prenumbered, the sales agent shall write the contract number on the purchase agreement at the time it is executed.

**105.2(2)** The copy of the purchase agreement given to the purchaser shall include the contract number assigned to the purchase agreement.

**105.2(3)** If a correction to the contract number is required, the correction shall be recorded in the sales logs required by subrule 105.3(3), and documentation that retains evidence of the initial number used shall be maintained.

**191—105.3(523A,82GA,SF559) Records maintenance.**

**105.3(1) *Transaction records to be kept by preneed sellers.*** A preneed seller shall document all customer transactions and maintain accurate copies and records of all purchase agreements. If no other legal provision governs record retention, a preneed seller shall keep all customer records for a minimum of three years after the date of the death of the beneficiary. The preneed seller shall keep records and the identity of individuals in the records confidential.

**105.3(2) *Deposit records to be kept by preneed sellers.*** If purchase payments made to a preneed seller are commingled and deposited with funds not related to a purchase agreement subject to Iowa Code chapter 523A and 2007 Iowa Acts, Senate File 559, or if deposits involve more than one purchase agreement, the preneed seller shall retain a detailed summary of each deposit. This information shall be maintained and shall be available for inspection by the commissioner for a minimum of four years after the deposit.

**105.3(3) *Sales log to be kept by preneed sellers.*** Preneed sellers shall maintain a sales log for purposes of assigning numbers to purchase agreements. The sales log shall be maintained for a minimum of four years after the date of sale.

**105.3(4) *Sales log to be kept by sales agents.*** A sales agent shall maintain a sales log for a minimum of four years. The sales log shall include all of the information required for the sales agent's annual report set forth in subrule 105.4(2).

**191—105.4(523A,82GA,SF559) Annual reports.**

**105.4(1) *Annual reports by preneed sellers.*** A licensed preneed seller shall file a completed annual report form with the commissioner on or before April 1 each year. The form and instructions may be obtained through the commissioner's Web site. The report shall include a list of contracts sold during the year covered by the report, including the date of each contract, the total purchase price, the name of the purchaser, the name of the beneficiary and, for each contract sold after July 1, 2007, the number assigned to the contract. Along with the report, the preneed seller shall submit a filing fee of \$10 per purchase agreement, as set forth in 2007 Iowa Acts, Senate File 559, section 11.

**105.4(2) *Annual reports by sales agents.*** A licensed sales agent shall file a completed annual report form with the commissioner on or before April 1 each year, pursuant to 2007 Iowa Acts, Senate File 559, section 18. The form and instructions may be obtained through the commissioner's Web site. The report shall include the following:

- a. Names of applicable licensed preneed sellers and their license numbers; and
- b. A list of contracts sold during the year covered by the report, including the date of the contract, the total purchase price, the name of the purchaser and the name of the beneficiary and, for each contract sold after July 1, 2007, the number assigned to each contract. If the sales agent was appointed by more

than one preneed seller, the list of contracts required by this paragraph should be divided according to each preneed seller.

**105.4(3) *Failure to file timely.*** If a preneed seller or sales agent fails to file an annual report as required by this subrule on or before the date the annual report is due, the penalties of 191—subrule 106.2(3) shall apply. Additional sanctions pursuant to rule 105.6(523A,82GA,SF559) and 191—Chapter 106 also may be imposed.

**191—105.5(523A,82GA,SF559) Fidelity bond or insurance.** A preneed seller shall obtain and maintain a fidelity bond or similar insurance in an amount not less than \$50,000 to protect against the loss of purchaser payments not placed in trust, as required by Iowa Code section 523A.201(5) as amended by 2007 Iowa Acts, Senate File 559, section 7, unless the preneed seller only uses the trusting alternatives set forth in Iowa Code sections 523A.401 to 523A.405 or deposits 100 percent of each payment into a trust fund.

**191—105.6(523A,82GA,SF559) Grounds for discipline.** The commissioner may impose sanctions as set forth in 191—Chapter 106 if the commissioner finds that a licensee or that an owner, partner, member, director, shareholder or manager of a licensed business entity has violated or failed to comply with Iowa Code chapter 523A, 2007 Iowa Acts, Senate File 559, or any associated rules or implementing orders, including but not limited to the following acts or practices:

**105.6(1) *Fraudulent or deceptive applications.*** Engaging in fraudulent or deceptive acts in procuring a license, including but not limited to:

- a. False representations of a material fact, whether by conduct or by false or misleading statements;
- b. Concealing or omitting anything that should have been disclosed or included with the application;
- c. Filing a false identification;
- d. Filing an untrue certification or affidavit; or
- e. Falsifying documents.

**105.6(2) *Conviction of a criminal offense.*** Conviction of a criminal offense, in any jurisdiction, involving dishonesty or a false statement, including but not limited to fraud, theft, misappropriation of funds, falsification of documents, deceptive acts or practices, or other related offenses. “Conviction” shall include a plea of guilty or a finding of guilt, and shall include a deferred judgment.

**105.6(3) *Fraudulent or deceptive practices.*** Engaging in any act or practice that violates Iowa Code section 523A.701 or 523A.702, or Iowa Code section 523A.703 as amended by 2007 Iowa Acts, Senate File 559, section 25, whether or not actual harm or injury occurs, including but not limited to:

- a. Making untrue or improbable statements in advertisements;
- b. Falsifying business records; or
- c. Misappropriating funds.

**105.6(4) *Insolvency or financial condition.*** Being or becoming insolvent or of unsound financial condition, the determination of which shall be based on but not limited to the following factors:

- a. The licensee’s or license applicant’s net worth;
- b. Whether a financial institution has closed or otherwise taken adverse action against an account held by or on behalf of the licensee or license applicant;
- c. The issuance by the licensee or license applicant of insufficient funds checks or otherwise overdrawing a business or trust account;
- d. Untimely payment by the licensee or license applicant of business obligations in a manner that threatens the operation of the business;
- e. Untimely placement by the licensee of consumer funds into trust;
- f. Failure of the licensee or license applicant to pay sales, unemployment or other tax owed in the course of business; or

g. Any other act, practice or omission that provides a reasonable basis to question the ability of the licensee or license applicant to comply with the requirements of Iowa Code chapter 523A, 2007 Iowa Acts, Senate File 559, and related regulations.

**105.6(5) *Unethical, harmful or detrimental conduct.*** Engaging in any act or practice which may be harmful or detrimental to the public, whether or not actual harm or injury occurs, while engaged in activities regulated by Iowa Code chapter 523A and 2007 Iowa Acts, Senate File 559, or materially related to such activity, including but not limited to:

- a. Encouraging cancellation of a purchase agreement if not in the best interests of the beneficiary;
- b. Failure to leave a residence when requested to do so;
- c. Intimidation or physical abuse, including improper sexual contact or conduct; or
- d. Any other act or practice that takes unfair or unreasonable advantage of the vulnerability of a client or prospective client based on age, poor health, infirmity, impaired understanding, restricted mobility, or disability.

**105.6(6) *Failure to maintain records.*** Failure to maintain records as required by Iowa Code chapter 523A, 2007 Iowa Acts, Senate File 559, or any associated rules or orders.

**105.6(7) *Failure to cooperate with an examination or investigation.*** Failure to submit to an examination, failure to comply with a reasonable written request of an examiner, or failure to cooperate with an investigation conducted by the commissioner as required by Iowa Code chapter 523A, 2007 Iowa Acts, Senate File 559, or any associated rules or orders.

**105.6(8) *Late filings or the failure to submit a report.*** Filing reports after the filing deadline or failing to file a report as required by Iowa Code chapter 523A or any associated rules or orders.

**105.6(9) *Inability to perform.*** A preneed seller's failing to be able to provide the cemetery merchandise, funeral merchandise, funeral services, or combination thereof which the licensee purports to sell, including but not limited to failing to employ or have a contractual arrangement with at least one person who is licensed to perform mortuary science services, as described in Iowa Code chapter 156.

**105.6(10) *Sale of business without notice.*** Selling all or part of a licensee's business without proper notice to the commissioner, pursuant to rule 191—103.3(523A,82GA,SF559).

**105.6(11) *Improper sale or transfer of purchase agreements.*** Selling or transferring purchase agreements as part of the sale of a business or the assets of a business, if an audit expressing the auditor's opinion of the adequacy of funding related to the purchase agreements to be sold or transferred has not been performed by a certified public accountant and filed with the commissioner, as required by 2007 Iowa Acts, Senate File 559, section 13.

**105.6(12) *Sales prohibited by order.*** The applicant or licensee has been named in an order issued pursuant to 2007 Iowa Acts, Senate File 559, section 29.

**105.6(13) *Failure to complete continuing education.*** Failure of a licensee to timely complete the continuing education required for license renewal.

**105.6(14) *Law violations.*** Violating any state or federal law applicable to the conduct of the applicant's or licensee's business including, but not limited to, the following:

- a. The provisions of Iowa Code chapter 156 pertaining to the licensure of funeral directors in the state of Iowa;
- b. Regulations promulgated by the Federal Trade Commission relating to funeral services, or funeral or cemetery merchandise, or funeral or cremation establishments;
- c. Applicable tax or public health laws, ordinances or regulations; or
- d. Laws, rules, ordinances, or regulations occurring outside of Iowa if the commissioner determines that such violation may adversely implicate the licensee's or applicant's compliance with Iowa laws, rules, orders, ordinances, or regulations.

**105.6(15) *Unsafe practice.*** Having any impairment, drug or alcohol addiction, or other act, conduct or condition which adversely impacts the licensee's ability to perform in a safe, competent manner.

**105.6(16) *Failure to maintain fidelity bond or similar insurance.*** A preneed seller's failure to maintain a fidelity bond or similar insurance as required by rule 105.5(523A,82GA,SF559) and Iowa Code section 523A.201(5) as amended by 2007 Iowa Acts, Senate File 559, section 7.

**105.6(17) *Responsibility for sales activities of others.*** A preneed seller's consent or acquiescence to violation of 191—Chapters 100 through 106, Iowa Code chapter 523A or 2007 Iowa Acts, Senate File 559, by any person acting in the preneed seller's behalf.

**191—105.7(523A,82GA,SF559) Prohibition on sales activities and practices without a license or without an appointment.**

**105.7(1) *License required.*** No person shall advertise, sell, promote, or offer to furnish cemetery merchandise, funeral merchandise, funeral services, or a combination thereof when performance or delivery may be more than 100 days following the initial payment of the account unless the person either:

*a.* Holds an active preneed seller license issued by the commissioner pursuant to Iowa Code section 523A.501 as amended by 2007 Iowa Acts, Senate File 559, section 16; or

*b.* Holds an active sales agent license issued by the commissioner pursuant to Iowa Code section 523A.502 as amended by 2007 Iowa Acts, Senate File 559, section 17, and the person is an appointed sales agent of a person holding a preneed seller license issued by the commissioner pursuant to Iowa Code section 523A.501 as amended by 2007 Iowa Acts, Senate File 559, section 16.

**105.7(2) *Prohibited activities.*** A person to whom a license has not been issued by the commissioner, a licensee whose license has expired, is inactive, or is suspended, or a sales agent who is not appointed with a preneed seller, may not:

*a.* Conduct any of the activities for which a license is required pursuant to Iowa Code chapter 523A or rule 191—103.1(523A,82GA,SF559);

*b.* Post or display the licensee's license;

*c.* Use a license certificate or a license number;

*d.* Agree to perform any term of an agreement, whether or not pursuant to a written purchase agreement, to furnish cemetery merchandise, funeral merchandise, funeral services, or a combination thereof, if the sale of the merchandise or services is subject to Iowa Code chapter 523A and the sale is after the renewal date of the license;

*e.* Execute an agreement or agree to perform any term of an agreement, or accept any payment or funding, including the assignment of ownership of or proceeds from an insurance policy or annuity, whether or not pursuant to a written purchase agreement, related to the purchase of cemetery merchandise, funeral merchandise, funeral services, or a combination thereof, if the sale of the merchandise or services is subject to Iowa Code chapter 523A and the sale is after the renewal date of the license.

These rules are intended to implement Iowa Code chapter 523A and 2007 Iowa Acts, Senate File 559.

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